



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2009 Biennium

Bill #	HB0639	Title:	Create volunteer EMT retirement system
Primary Sponsor:	Bergren, Bob	Status:	As Introduced

Retirement Systems Affected:

<input type="checkbox"/> Teachers	<input type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
<input checked="" type="checkbox"/> New System			<input type="checkbox"/> Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
- ☐ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

	July 1, 2006 Current System	July 1, 2006 With Changes	Increase/ (Decrease)
Present Value of Actuarial Liability	Unknown	Unknown	Unknown
Present Value of Actuarial Assets	Unknown	Unknown	Unknown
Present Value of Increased Costs	Unknown	Unknown	Unknown
Actuarial Accrued Liability (AAL) Unfunded/(Funded	Unknown	Unknown	Unknown
Amortization Period of AAL	Unknown	Unknown	Unknown

	July 1, 2006	July 1, 2007	July 1, 2008	July 1, 2009	July 1, 2010
Employee Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
State Contribution	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$468,633	\$472,665	\$476,733	\$480,838
State Special Revenue	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue	\$38,257,764	\$44,218,419	\$49,784,914	\$52,305,829
EMT Pension Trust Fund	Unknown	Unknown	Unknown	Unknown
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue	\$38,257,764	\$44,218,419	\$49,784,914	\$52,305,829
EMT Pension Trust Fund	\$937,266	\$945,330	\$953,466	\$961,676
EMT Pension Trust Fund - interest	Unknown	Unknown	Unknown	Unknown
Net Impact-General Fund Balance:	<u>(\$468,633)</u>	<u>(\$472,665)</u>	<u>(\$476,733)</u>	<u>(\$480,838)</u>

Description of fiscal impact: This legislation places a tax of \$1 on each bed day. The revenues from the \$1 tax are matched with general funds and placed in a trust fund used to fund death, disability, and retirement benefits for emergency medical technicians (EMTs).

This legislation also removes the termination date for the hospital utilization fee; therefore, the fiscal impact described in this fiscal note includes the costs of extending the hospital utilization fee in addition to the additional \$1 fee (and matching general funds) proposed in this legislation.

Due to insufficient information we are unable to determine the fiscal impact of pension portion of this bill. Unknowns include number and demographics of members, amount of accumulated service credit, amount of benefit due and payable in 2017, in comparison to the revenue in this legislation.

FISCAL ANALYSIS**Assumptions:****Department of Revenue (DOR)**

1. The proposed legislation would place a \$1 tax on each hospital bed day to be distributed to the volunteer emergency medical technicians' pension trust fund. Annual inpatient bed days are estimated to be 468,633 in FY 2008, 472,665 in FY 2009, 476,733 in FY 2010, and 480,838 in FY 2011. Therefore, the estimated revenues from the \$1 tax will be \$468,633 in FY 2008, \$472,665 in FY 2009, \$476,733 in FY 2010, and \$480,838 in FY 2011. This funding will be deposited into the trust fund for EMT death, disability, and retirement benefits.
2. Section 13 of the proposed legislation requires the DOR to pay an amount equal to the revenues raised by the \$1 tax from the general fund to the EMT trust fund, effectively requiring the general fund to match all revenues raised by the \$1 tax. The amount taken from the general fund and placed into the EMT trust fund will equal \$468,633 in FY 2008, \$472,665 in FY 2009, \$476,733 in FY 2010, and \$480,838 in FY 2011. The total amount of revenues placed in the EMT trust fund will be \$937,266 in FY 2008, \$945,330 in FY 2009, \$953,466 in FY 2010, and \$961,676 in FY 2011.
3. This legislation also removes the termination date for the hospital utilization bed fee. This fiscal note assumes that the hospital utilization bed fee rate would be set at
 - a. \$27.70 for each inpatient bed day between January 1, 2006 and June 30, 2007;

- b. \$47.00 for each inpatient bed day between July 1, 2007 and December 31, 2007;
 - c. \$43.00 for each inpatient bed day between January 1, 2008 and December 31, 2008;
 - d. \$48.00 for each inpatient bed day between January 1, 2009 and December 31, 2009; and
 - e. \$50.00 for each inpatient bed day beginning January 1, 2010.
4. Hospital utilization fees for fiscal years are collected by January 31 of the fiscal year. Using the same estimated bed days used in Assumption 1 and the blended rate of \$37.35 for FY2008 ($(\$27.70 + \$47.00)/2$), the revenues for each fiscal year are shown below:
- a. FY2008 – 468,633 bed days x \$37.35 = \$17,503,443 Collected in January 2008;
 - b. FY2009 – 472,665 bed days x \$43.00 = \$20,324,595 Collected in January 2009;
 - c. FY2010 – 476,733 bed days x \$48.00 = \$22,883,184 Collected in January 2010; and
 - d. FY2011 – 480,838 bed days x \$50.00 = \$24,041,900 Collected in January 2011.
5. These state revenues are used to obtain matching federal funds from the Medicaid program according to the federally-set Federal Medical Assistance Percentage (FMAP). The FMAP is assumed to be 68.61 in FY 2008, 68.51 in FY 2009, 68.51 in FY2010, and 68.51 in FY2011. The estimated federal funds received are shown below:
- a. FY 2008 - \$17,503,443 / 31.39 state share percent = \$55,761,207 x 68.61 percent = \$38,257,764
 - b. FY 2009 - \$20,324,595 / 31.49 state share percent = \$64,543,014 x 68.51 percent = \$44,218,419
 - c. FY 2010 - \$22,883,184 / 31.49 state share percent = \$72,668,098 x 68.51 percent = \$49,784,914
 - d. FY 2011 - \$24,041,900 / 31.49 state share percent = \$76,347,729 x 68.51 percent = \$52,305,829.

Department of Public Health and Human Services (DPHHS)

- 6. The Hospital Utilization fee will generate new state special revenue of \$17,503,443 in FY 2008, \$20,324,595 in FY 2009, \$ 22,883,184 in FY 2010 and \$ 24,041,900 FY2011 going to the credit of DPHHS.
- 7. After these are matched with federal Medicaid funds, the total funds redistributed to the hospitals \$55,761,207 FY 2008, \$64,543,014 FY 2009, \$72,668,098 FY 2010 and \$76,347,729 FY 2011.

Montana Public Employees Retirement Administration (MPERA)

- 8. This bill mirrors the Volunteer Firefighters' Compensation Act (VFCA) in most ways. (Title 19, Chapter 17)
- 9. Due to insufficient information MPERA unable to determine the fiscal impact of this bill. Unknowns include number of members, amount of accumulated service credit, amount of benefit due and payable in 2017, the number of hospital bed days that will be funding the system and the interest earnings on the fund balance in the trust because the trust fund balance will be unknown. If an actuarial study were performed there is no funding in the current budget of MPERA except that of other pension trust funds to the study the actuarial soundness of this new pension system.
- 10. MPERA estimates start-up at around \$100,000 to design a new system.

Department of Revenue

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers (to EMT Pension Fun	\$468,633	\$472,665	\$476,733	\$480,838
TOTAL Expenditures	\$468,633	\$472,665	\$476,733	\$480,838
<u>Funding of Expenditures:</u>				
General Fund (01)	\$468,633	\$472,665	\$476,733	\$480,838
TOTAL Funding of Exp.	\$468,633	\$472,665	\$476,733	\$480,838
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Medicaid Special Revenue (02)	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue (03)	\$38,257,764	\$44,218,419	\$49,784,914	\$52,305,829
EMT Trust Fund (09)	\$937,266	\$945,330	\$953,466	\$961,676
TOTAL Revenues	\$56,698,473	\$65,488,344	\$73,621,564	\$77,309,405

Department of Public Health and Human Services

<u>Expenditures:</u>				
Benefits	\$55,761,207	\$64,543,014	\$72,668,098	\$76,347,729
TOTAL Expenditures	\$55,761,207	\$64,543,014	\$72,668,098	\$76,347,729
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue (03)	\$38,257,764	\$44,218,419	\$49,784,914	\$52,305,829
TOTAL Funding of Exp.	\$55,761,207	\$64,543,014	\$72,668,098	\$76,347,729

MPERA

<u>Expenditures:</u>				
Operating Expenses (Start-up)	\$100,000	Unknown	Unknown	Unknown
Other Expenses	Unknown	Unknown		
TOTAL Expenditures	\$100,000	Unknown	Unknown	Unknown
<u>Funding of Expenditures:</u>				
EMT Pension Fund (09)	\$100,000	Unknown	Unknown	Unknown
<u>Revenues:</u>				
EMT Trust Fund (09) interest	Unknown	Unknown	Unknown	Unknown

MPERA

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$468,633)	(\$472,665)	(\$476,733)	(\$480,838)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
EMT Pension Fund (09)	Unknown	Unknown	Unknown	Unknown

Technical Notes:**Department of Revenue (DOR)**

1. As stated in the notice of adoption of New Rules I and II (42.31.1002) relating to the hospital utilization fee for inpatient bed days, the DOR believes that the legislative guidance in 15-66-102, MCA, is insufficient to reach a determinate fee amount. This fiscal note assumes that the fee rates specified in SB 118 are based on the parameters described in 15-66-102 (2)(a), MCA and, therefore, uses these rates in developing the estimated fiscal impact. The sponsor may wish to clarify the rate methodology.
2. This fiscal note includes costs of extending the hospital utilization fee, even though the intent of the bill appears to be only to institute the \$1 supplemental tax with the matching general funds. SB 118 also extends the hospital utilization fee. These bills may need to be coordinated.
3. Section 21 exempts the first \$3,600 paid from the trust fund from state, county and municipal taxation. The codification instruction states that this will be codified in Title 19. There is no corresponding amendment to 15-30-111(2) included in this bill. If this act specifically exempts this income from taxation, 15-30-111(2) should be amended.

Montana Public Employees Retirement Administration (MPERA)

4. Section 12 Administrative Expenses states that administrative expenses can be charged against the investments earnings. Investment earnings in the first year are anticipated to be less than the \$100,000 estimated start up costs.
5. To ensure actuarial soundness of the system, consideration should be given to basing the date of the first benefit payment and the number of years available past credit on actuarial information rather than picking specific dates and numbers that may not be actuarially sound.
6. Page 8 Section 16 - The look back period that expires June 30, 2008 is inconsistent with Volunteer Firefighters Compensation Act and will likely be challenged by members.
7. In the definition of “volunteer emergency medical technician”, what is meant by “not compensated”? Many times the members are given a stipend or other items such as coats. MPERA would not consider stipends to be compensation.
8. VFCA has specific ways companies are to be formed. There is no similar language for VEMT.
9. Section 16 sounds like each INDIVIDUAL EMT must file an annual certificate with the Board stating:
 - a. Member was a volunteer medical technician for the MAJORITY of the fiscal year,
 - b. Satisfactorily completed 16 hours of instruction,
 If the board has to accept the annual certification for benefits as “prima facie proof of service” (Section 17(5)) and the EMT is filing the turnaround document his or herself then there is no control over the accuracy of the training. How is the penalty section implicated?
10. Section 26 – for Volunteer Firefighters Compensation Act in order to determine that a member was an active member and eligible for a medical or funeral payment, we obtain the annual filing with the county

clerk and the persons' name must be on the filing. It does not seem that the EMTs have this required filing (or similar filing).

11. Section 19 – Subsection(b) should have the same “guardian” language as (c).

Sponsor's Initials

Date

Budget Director's Initials

Date